



prescription for an uninsured person was \$30.76 in 1997. These national averages are used to calculate costs.

3. Section 6 (4) allows the Medicaid program to prior authorize all drug products of drug manufacturers who refuse to offer a rebate. If the program used this option, it is estimated the program would incur an additional cost of \$182,513/year for its prior authorization program.
4. Section 6 (4) instructs the department to publicize the relative costs of drugs with rebate agreements to drugs without rebate agreements. Six notices per year to 5,500 doctors, pharmacists and other health professionals are estimated to cost \$84,000.
5. Section 7(3)(a) would require the department to set up a network of participating pharmacies. To recruit, contract and maintain this network would require 1.50 FTE, Grade 15 (\$56,335 per year), and 2.00 FTE, Grade 12 (\$59,124 per year).
6. Section 7(3)(b) requires the department to calculate the prescription drug price with a dispensing fee not less than that provided under the Medicaid program. The department would have the pharmacy submit a claim for the participant, which would be priced by the claims processing system at average wholesale price less 6%. The cost of the claims processing is estimated at \$0.96/claim for 2,112,000 prescriptions for a total of \$2,027,520 per year.
7. Section 7(4) requires the department to calculate the discount attributable to manufacturer rebates. This discount would also be used in pricing the claim for the pharmacy. System programming needed to allow this pricing is estimated at 250 hours per year @ \$97 per hour (\$24,250 per year).
8. Section 8 requires the state to establish a simplified procedure for issuing Rx program enrollment cards to eligible residents. For at least the first two years, the state would use a system similar to Fish, Wildlife and Parks for fishing licenses and pay pharmacies to enroll eligible residents using department forms. Pharmacies would receive \$0.50 per person for a total of \$110,000 per year if all 220,000 eligible residents enrolled. The cost per card is estimated at \$0.96 per member for a total of \$211,200 per year.
9. The department would create and maintain a member database and issue pharmacy cards to members. Staff required to create and maintain the member database during the first two years would be 0.50 FTE, Enrollment Manager Grade 15 (\$18,778 per year), and 5.00 FTE, Data Entry Grade 12 (\$147,810 per year). The cost of developing the membership database would be \$250,000 in 2002 and \$120,000 in 2003.
10. Section 8 also requires the department to undertake outreach efforts to build public awareness. Based on a similar departmental effort, the department would spend \$44,460 per month for a publicity campaign at a yearly cost of \$533,520 and require 1.00 FTE, Outreach coordinator Grade 14 (\$34,615 per year).
11. Section 9(2) states that the department may not impose transaction charges on retail pharmacies submitting claims. Submission of pharmacy claims requires the use of a switch vendor who charges pharmacies about \$0.25 per claim submission. If the department picks up this charge, it is estimated to cost \$528,000 per year (2,112,000 claims @ \$0.25).
12. Section 9(4) requires the department to reimburse retail pharmacies for discounted prices to program participants and for dispensing fees. A discount of 6% on the average cost of \$30.76 per prescription is equal to \$1.85 per prescription. With 2,112,000 prescriptions per year, this discount amounts to \$3,897,907.
13. A dispensing fee of \$4.20 (Medicaid's dispensing fee) would cost an additional \$8,870,400 (2,112,000 claims @ \$4.20 per claim).
14. It is assumed the department would receive rebate revenue of \$6,171,687 in 2002 and \$12,343,373 in 2003. This is deposited into the state special revenue account and is used to help fund the program.

15. Section 9(5) requires the department to calculate the amount of the rebate due from the manufacturer. To implement a rebate program similar to that used by Medicaid would require 1.0 FTE @ Grade 16 (\$40,844) to negotiate rebates, calculate rebate discount, and contract dispute resolution auditors and 1.0 FTE @ Grade 13 (\$31,955) to invoice manufacturers, collect and track payments. In addition, it is estimated the department would require contract auditors for 1,000 hours/year @ \$100/hour (\$100,000 total). A Fair Hearings process for rebate disputes is estimated to require 0.5 FTE Hearings Officer in 2003 @ Grade 16 (\$20,442).
16. The department would require 1.0 FTE Rx Program Manager @ Grade 17 (\$44,532) and 1.0 FTE Administrative Support @ Grade 12 (\$29,562).
17. For each FTE an additional cost of \$2,000 for operation al costs such as rent, telephone, and computer processing each year and \$4,000 for equipment for the first year is estimated.
18. The FMAP for the Medicaid Prior Authorization Program is 75% federal funds and 25% state funds (#3 above).
19. All other costs of the Rx Program would be state funds.

**Department of Commerce:**

20. Section 9 (1) of the bill requires the Board of Pharmacy to adopt rules on passage and approval. The Board of Pharmacy would require two additional board meetings in FY 2001 in order to draft rules. It takes a minimum of 60 days after rules have been drafted to notice for public comment, hold an administrative hearing, and then to notice for adoption.
21. Operating Expenses include two additional Board meeting in FY 2001 to draft and propose rules to implement the new law. The Board is comprised of five members who receive \$50/day per diem and travel expenses. Expenses for one board meeting are \$500 per diem and \$1,700 travel.
22. Other implementation costs in FY 2001 include ARM filing fees (6 pages @ \$35 = \$210), court reporter for administrative rule hearing (\$100), printing of rule notices and public information pamphlets (\$500), postage and mailing (\$1,225), and indirect cost (\$51).

**FISCAL IMPACT:**

Department of Public Health and Human Services

	<u>FY2002</u>	<u>FY2003</u>
	<u>Difference</u>	<u>Difference</u>
FTE	14.00	14.50
 <u>Expenditures:</u>		
Personal Services	\$ 463,555	\$ 483,997
Operating Expenses	4,079,003	3,950,003
Equipment	56,000	4,000
Benefits	<u>12,768,307</u>	<u>12,768,307</u>
TOTAL	<u>\$17,366,865</u>	<u>\$17,206,307</u>
 <u>Funding:</u>		
General Fund (01)	\$11,058,293	\$ 4,726,049
State Special Revenue (02)	6,171,687	12,343,373
Federal Special Revenue (03)	<u>136,885</u>	<u>136,885</u>
TOTAL	<u>\$17,366,865</u>	<u>\$17,206,307</u>

Revenues:

State Special Revenue (02)	\$ 6,171,687	\$12,343,373
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$11,058,294	\$ 4,726,049
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TECHNICAL NOTES:

1. The effective dates for this program appear unrealistic. Developing a network of pharmacies, developing the claims system and enrolling participants would require a minimum of six months. The Board of Pharmacy Could not meet the July 1, 2001 effective date for adopting rules requiring disclosure by retail pharmacies to Rx program participants. The rule making process requires time for drafting, notice, hearing, and adoption.
2. Negotiating rebate contracts with manufacturers will require a minimum of six months. Receipt of rebates would not occur prior to July 2002, if the program were operational in January 2002, because of the necessary lag time between prescription purchase and rebate invoicing.
3. The 1997 cost per prescription of \$30.76 is based on the most current information the department has available for uninsured people. For the Medicaid population, the average cost per prescription increased 30% between FY 1998 and FY 2000. Assuming a similar increase in prescription costs for the uninsured would result in a per prescription cost of \$39.99. This increased prescription cost would increase the cost of the program.
4. The bill does not address that covering the uninsured may result in insurance policies dropping the prescription drug benefit, thereby increasing the number of eligible participants.